

**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
Whether there has been a violation  
of the Securities Act of Washington by:  
  
Sun Services, Inc.; John T. Jones; John W.  
Wachsmith;

Respondents

SDO - 05 - 02

SUMMARY ORDER TO CEASE AND DESIST AND  
NOTICE OF INTENT TO ORDER FINES AND  
AFFIRMATIVE RELIEF

Case No. 01-08-329

THE STATE OF WASHINGTON TO:     Sun Services, Inc.  
  
   John T. Jones  
  
   John W. Wachsmith

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Sun Services, Inc.; John T. Jones; John W. Wachsmith, have each violated the Securities Act of Washington and that their violations justify the entry against each of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

I.

Sun Services, Inc. is a Nevada corporation with its principal place of business at 1110 Via Alta Mira, Palm Springs, CA 92262.

II.

SUMMARY ORDER TO CEASE AND  
DESIST

1 John T. Jones controls Sun Services, Inc. Together with his wife, he owns 80% of the stock of Sun  
2 Services, Inc. Jones uses Sun Services, Inc. as a holding company for his various business ventures. Sun  
3 Services, Inc. owns a gypsum mine in Southern California. It also represents itself on its letterhead as “a  
4 creative financing company.”

### 5 III.

6 John W. Wachsmith has been the subject of prior administrative actions by Department of Financial  
7 Institutions for violations of the Securities Act of Washington. On December 16, 1999, the Department of  
8 Financial Institutions issued Summary order to Cease and Desist, SDO-66-99, against Wachsmith in connection  
9 with his offers or sales of shell corporations. Among the allegations was that Wachsmith had, on at least two  
10 occasions, collected partial payment for shares representing a majority ownership interest in a shell corporation  
11 but failed to either deliver the shares or to refund the money paid. SDO-66-99 ordered Wachsmith to cease and  
12 desist from violation of the anti-fraud provisions of the Securities Act of Washington, and from violations of  
13 the provisions requiring that offerings and broker-dealers and their representatives be registered in the state of  
14 Washington. SDO-66-99 was served on Wachsmith on December 29, 1999. Wachsmith had a right, within  
15 twenty days of his receipt of the order, to request a hearing on SDO-66-99. Wachsmith chose not to request a  
16 hearing on SDO-66-99. A final order to cease and desist, SDS-11-00, was then issued on January 31, 2000 and  
17 was served on Wachsmith on February 18, 2000. SDS-11-00 adopted as final the findings of fact and  
18 conclusions of law as well as the order of SDS-66-99.

### 19 IV.

20 On December 30, 1999, Wachsmith met at a tavern in Fife with representatives of a Pierce County  
21 business about taking that business public and raising money for its operating capital. The Pierce County group  
22 had been referred to Wachsmith by Wachsmith’s brother-in-law who said that Wachsmith was in the business  
23 of helping companies get financing. Wachsmith said that he could arrange for a private placement to get the  
24 company up and running. Wachsmith claimed to have put together 40 or 50 initial public offerings, including

1 the initial public offering for Starbucks. Wachsmith also said that there were several ways to take a company  
2 public. He said that taking over a shell corporation was one way. He said that this method cut down  
3 substantially on the time it takes to go public. Wachsmith said that he knew of someone who had a shell  
4 corporation that might be willing to sell it for about \$100,000. Wachsmith did not reveal that he had been  
5 ordered to cease and desist from acting as an unregistered broker-dealer by SDO-66-99 in connection with his  
6 earlier involvement in sales controlling interests in shell corporations and in providing advice for a fee to  
7 companies seeking to raise funds or to go public. He did not reveal that he had, on more than one occasion,  
8 collected funds representing a portion of the purchase price of a controlling interest in the shares of a shell  
9 corporation and failed to deliver the shares or to refund the purchasers' moneys. He did not reveal that he has  
10 had three felony convictions, two of which were for theft.

11 In early January 2000, Wachsmith told the potential purchasers that the shell corporation he had  
12 mentioned was available. The price was \$115,000. Wachsmith said that the shell corporation was currently  
13 available, but another buyer was interested in it, so it would be necessary to act fast.

14 In late January 2000, Wachsmith met again with the potential purchasers. John Jones of Sun Services, Inc.  
15 participated in the meeting by telephone. The Pierce County group agreed to pay Sun Services, Inc. \$115,000  
16 for 95% of the shares of Sierra Pacific Gypsum, Inc. (SPGY), a Nevada corporation. The 95% amounted to 18  
17 million shares. On the day after the meeting, the Pierce County group deposited an official check for \$115,000  
18 to the Sun Services, Inc. bank account. The following day, Wachsmith negotiated a check for \$15,000 from  
19 Jones. The check represented a finder's fee to Wachsmith for the sale of the shares in Sierra Pacific Gypsum,  
20 Inc

21 On February 2, 2000, Wachsmith and Jones met with the Pierce County group in Fife. At this meeting,  
22 Jones and Wachsmith represented that, after they had transferred the shares to the Pierce County group, Jones  
23 could arrange the sale of 2 million shares of Sierra Pacific Gypsum, Inc. to Asian investors at \$1 per share. The  
24 2 million shares would be from the 17 million shares the Pierce County group would receive. Jones and

1 Wachsmith would keep 1 million shares, out of the 18 million that were part of the original sales agreement,  
2 between then as compensation for arranging the deal. Jones and Wachsmith also suggested issuing another 82  
3 million shares of stock in order to raise additional funds. Jones offered to help the Pierce County group to find  
4 an accountant and a transfer agent to assist.

5 Although Jones had promised to have the shares transferred to the Pierce County group upon payment, he  
6 never transferred the shares to the Pierce County Group. The Pierce County group made many inquiries about  
7 when the transfer was going to occur. In late April 2000, Wachsmith offered on behalf of Sun Services, Inc. to  
8 rescind the agreement. In May 2000, the Pierce County group agreed to this and accepted an initial payment of  
9 \$25,000, on the understanding that that Jones and Wachsmith would sell the shares in Sierra Pacific Gypsum,  
10 Inc. to another buyer and would use the proceeds to repay the Pierce County group. The Pierce County group  
11 was also supposed to receive shares in the new company that bought the shares of the shell corporation. Jones  
12 sold the shares in Sierra Pacific Gypsum, Inc. originally sold to the Pierce County group, to the owners of  
13 CoMedia. Jones released the shares of Sierra Pacific Gypsum, Inc. to the owners of CoMedia without requiring  
14 payment in advance for those shares. Jones arranged the sale to CoMedia with Frank Olsen, a longtime  
15 business associate of Jones.

16 The Pierce County group received another \$10,000 from Jones. Then Wachsmith delivered a certificate  
17 for 200,000 shares of a company called CoMedia that trades in the over the counter market. Wachsmith  
18 advised the Pierce County group not to sell the shares because the shares would soon be much more valuable  
19 because CoMedia was awaiting approval to distribute its gay oriented programming over Dishnet. In fact, the  
20 shares lost substantially all of their value.

21 Jones has been involved in other sales of shares representing the majority ownership interest in shell  
22 corporations. Two months before his transaction with the Pierce County group, Jones sold the shares of  
23 another shell company to a California couple for \$125,000. Before the transaction with the Pierce County  
24 group, Jones entered into an agreement with his son, Jeff Jones, and a group of investors to sell shares

1 representing a majority of the ownership interest in the corporation that was later renamed Sierra Pacific  
2 Gypsum, Inc. The group intended to use the company to conduct a gypsum mining business in Mesquite,  
3 Arizona. John T. Jones received at least \$50,000 down payment on the sale. The name of the corporation was  
4 changed to Sierra Pacific Gypsum, Inc. to reflect the nature of the business, but the sale was never  
5 consummated so John Jones never transferred the shares.

6 V.

7 Neither John T. Jones nor John W. Wachsmith is currently registered as a securities salesperson or broker-  
8 dealer in the state of Washington and neither has previously been so registered.

9 VI.

10 The Securities Administrator finds that the continued offer, sale, or purchase of shares of stock in the  
11 manner described in Tentative Finding of Fact IV presents a threat to the investing public, as do John  
12 Wachsmith's continuing activities as an unregistered broker-dealer or salesperson .

13 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

14 CONCLUSIONS OF LAW

15 I.

16 The offer and/or sale of shares of stock described above constitutes the offer and/or sale of a security as  
17 defined in RCW 21.20.005(10) and (12), to wit: stock.

18 II.

19 John T. Jones and John W. Wachsmith have each violated RCW 21.20.040 by offering and/or selling said  
20 securities while not registered as a securities salesperson or broker-dealer in the state of Washington.

21 III.

22 The offer and/or sale of said securities was made in violation of RCW 21.20.010(2), the antifraud section  
23 of the Securities Act of Washington, the statements made by John Wachsmith concerning his experience in  
24

25 SUMMARY ORDER TO CEASE AND  
26 DESIST

1 arranging for companies to go public were misleading because Wachsmith omitted to tell the purchasers that  
2 Wachsmith was currently under order to cease and desist from acting as an unregistered broker-dealer and from  
3 violation of the antifraud provisions of the Securities Act of Washington, and that among the reasons for the  
4 order was that Wachsmith had accepted purchase money for shares in shell corporations and had then failed to  
5 deliver shares or refund the purchase money, and that Wachsmith was a convicted felon. Further, it was a  
6 violation of RCW 21.20.010(1) and (2) for John T. Jones, acting on behalf of Sun Services, Inc., in connection  
7 with the agreement to rescind the sale of the shares in Sierra Pacific Gypsum, Inc. to the Pierce County group,  
8 to represent that he would resell the shares and use the proceeds of the resale to repay the Pierce County group  
9 when he transferred the shares to others without securing payment for those shares for the benefit of the Pierce  
10 County group. Jones's actions worked a fraud on the Pierce County group and constituted a device or artifice  
11 to defraud the Pierce County group.

#### 12 IV.

13 The Securities Administrator finds that an emergency exists, that the continued violations of RCW  
14 21.20.010 and RCW 21.20.040 constitute a threat to the investing public, and that summary orders to cease and  
15 desist from those violations are in the public interest and necessary for the protection of the investing public.

#### 16 SUMMARY ORDER

17 Based on the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED That  
18 respondents, John T. Jones; Sun Services, Inc; and John W. Wachsmith each cease and desist from acting as a  
19 broker-dealer or salesperson without being registered as required under RCW 21.20.040, the section of the  
20 Securities Act of Washington requiring registration of broker-dealers and salespersons.

21 It is further SUMMARILY ORDERED that respondents, John T. Jones; Sun Services, Inc; and John W.  
22 Wachsmith,, their agents, and employees each cease and desist from violation of RCW 21.20.010, the anti-  
23 fraud section of the Securities Act.

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25 SUMMARY ORDER TO CEASE AND  
26 DESIST

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**NOTICE OF INTENT TO IMPOSE FINES**

Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator finds that respondent John W. Wachsmith have committed a knowing or reckless violation of the Securities Act such that the imposition of a fine is required. Therefore, the Securities Administrator intends to order that respondent shall pay a fine in the amount of \$5,000 for that violation.

**NOTICE OF INTENT TO ORDER AFFIRMATIVE RELIEF**

Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that respondents John T. Jones; Sun Services, Inc.; and John W. Wachsmith shall be jointly and severally liable for providing appropriate affirmative relief, including, without limitation, a requirement to provide full restitution to Pierce County group.

**AUTHORITY AND PROCEDURE**

This Order is entered pursuant to the provisions of RCW 21.20.390, and is subject to the provisions of Chapter 34.05 RCW. The respondents, John T. Jones; Sun Services, Inc.; and John W. Wachsmith may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

If a respondent does not request a hearing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and make the summary order to cease and desist permanent as to that respondent.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

SUMMARY ORDER TO CEASE AND  
DESIST

DATED this 27th day of February, 2002.



DEBORAH R. BORTNER  
Securities Administrator

Approved By:

Presented by:

Michael E. Stevenson  
Chief of Compliance

Suzanne Sarason  
Senior Enforcement Attorney

SUMMARY ORDER TO CEASE AND  
DESIST